

Chapter 8

Mining for development

The continental African Indian Ocean states are resources rich, and their commodities boom is just beginning....significant oil and gas finds in the coastal region are likely to increase its strategic importance and fuel economic growth in years to come.¹

8.1 Australia has 'a clear and vital interest in the prosperity and stability of the Indian Ocean'.² A number of Indian Ocean littoral states, however, are classified as Low Human Development countries, including Kenya, Bangladesh, Myanmar, Madagascar, Tanzania, Yemen, Comoros and Mozambique. To give an indication of their level of human development: 43.4 per cent of Kenya's population live below the poverty line; in Bangladesh the figure is 43.3 per cent; in Mozambique, 59.6 per cent; in Tanzania, 67.9 per cent; and in Myanmar, 81.3 per cent. Indeed, countries such as Tanzania, Mozambique and Madagascar are listed among the world's 'least developed countries'. South Africa is categorised as a medium human development country with a ranking of 121 from 186 countries, sharing this position with Indonesia. India is also in this medium development classification with a rank of 136.³

8.2 Although in the category of medium to low development, a number of these emerging or developing countries are resource rich. Australia recognises that the mining sector in these countries can make a valuable contribution to reducing poverty, accelerating their human development and economic growth, and supporting progress towards their Millennium Development Goals.

8.3 Australia's has significant mining interests in a number of Indian Ocean rim countries, many of which confront considerable social and economic problems. In this chapter, the committee considers the work that Australia does in the Indian Ocean rim to assist countries fulfil their potential using the mining sector as an example. Its focus is on the African countries bordering the Indian Ocean.

Helping resource-rich countries

8.4 While mining can help a country realise its social and economic potential, the extent to which the exploitation of mineral endowments drives development depends on their management. Thus, if poorly managed the benefits from mining may come at a cost of limiting economic and social progress for developing countries in the

1 DFAT, *Submission 30*, p. 25.

2 DFAT, *Submission 30*, p. 101.

3 The Human Development Index measures development by combining indicators of life expectancy, educational attainment and income into a composite human development index—the HDI. The 2013 Report underscored the message that economic growth alone does not automatically translate into human development progress.

region.⁴ The Australian Government recognises that the mining sector in resource rich but economically poor countries, such as Africa, could unlock significant socioeconomic benefits, reduce poverty and support progress toward the MDGs.⁵ It observed, however, that:

...the extent to which these benefits are achieved depends heavily upon how countries meet the institutional and policy challenges that come with mineral resource wealth.⁶

8.5 AusAID noted that 'converting mining into sustainable development is challenging'. It explained:

Countries can experience economic instability as a result of volatile prices and inflation. In countries where poor transparency and institutional capacity enables corruption, mining can present lucrative opportunities to enrich powerful elites. In some cases, waterways can be affected by mining and ecosystems can be negatively affected. An influx of migrant and foreign workers can create complex social impacts.⁷

8.6 Numerous reports have recognised the enormous benefits to be gained by African countries from their mineral resources. In Tanzania, gold exports account for more than a third of total exports of goods and services and Mozambique has experienced a boost in coal production from the 'first mega coal mining project that came on line in 2011'.⁸ South Africa is a major exporter of gold, platinum and chromium and a number of other metallic minerals. In 2010, total primary mineral sales exports accounted for 35.9 per cent of South Africa's total merchandise exports.⁹ The reports also draw attention to the importance of ensuring that mining contributes to local, national and regional development: that it brings with it longer term growth

4 AusAID, 'An Effective Aid Program for Australia: Making a real difference—Delivering real results', http://www.ausaid.gov.au/publications/pages/5621_9774_1073_3040_2380.aspx, (accessed 6 May 2013).

5 AusAID, *Mining for Development in Africa*, p. 4, <http://www.ausaid.gov.au/countries/ame/Documents/ausaid-mining-brochure-english.pdf> (accessed 15 April 2013).

6 AusAID, *Mining for Development in Africa*, p. 4, <http://www.ausaid.gov.au/countries/ame/Documents/ausaid-mining-brochure-english.pdf> (accessed 15 April 2013).

7 AusAID, 'Mining for Development: Why we give aid for mining for development', <http://www.ausaid.gov.au/aidissues/mining/Pages/why-aid.aspx>, (accessed 6 May 2013).

8 Hamid R. Davoodi (ed), *The East African Community After Ten Years: Deepening Integration*, IMF, 2012, p. 39; African Economic Outlook, <http://www.africaneconomicoutlook.org/en/countries/southern-africa/mozambique/> (accessed 25 April 2013).

9 South Africa, Chamber of Mines, www.chamberofmines.org.za (accessed 15 April 2013).

and socio-economic development.¹⁰ For example, AusAID argued that 'Well managed, the mining sector could contribute substantially to growth and progress towards the MDGs in Africa.'¹¹ A 2011 report noted that:

Africa faces numerous entry barriers and a dearth of capacity. Yet fundamentally, Africa has to shift focus from simply mineral extraction to much broader developmental imperatives in which mineral policy integrates with development policy.¹²

8.7 Africa has taken definite steps toward developing guidelines for the use of its natural resources to transform the continent's social and economic development. The African Union adopted the 'African Mining Vision' (AMV) in February 2009. Its long term goal is to create circumstances that support a 'transparent, equitable and optimal exploitation of Africa's mineral resources to underpin broad-based sustainable growth and socio-economic development'. One of its main objectives is to achieve:

A sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender & ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities.¹³

8.8 While Africa now has a long term vision for the responsible mining of its mineral resources, the capacity of individual countries to implement measures that could 'transform' their social and economic development may be lacking.

Mining for Development initiative

8.9 As a world leader in the mining sector, Australia is well positioned to provide assistance to Africa countries to help them manage the industry through improving their resource governance and better regulatory framework. It can provide assistance to help strengthen revenue transparency, support improved partner government regulatory frameworks and social and environment safeguards and maximise

10 International Study Group Report on Africa's Mineral Regimes, *Minerals and Africa's Development*, Economic Commission for Africa and African Union, November 2011, http://www.africaminingvision.org/amv_resources/AMV/ISG%20Report_eng.pdf (accessed 15 April 2013) and Hamid R. Davoodi (ed), *The East African Community After Ten Years: Deepening Integration*, IMF, 2012, p. 39 and Ousman Gajigo et al, *Gold Mining in Africa: Maximising Economic Returns for Countries*, African Development Bank Group, Working Paper Series no. 147, March 2012.

11 AusAID, *Looking west: Australia's strategic approach to aid in Africa 2011–2015*, December 2010, p. 14.

12 International Study Group Report on Africa's Mineral Regimes, *Minerals and Africa's Development*, Economic Commission for Africa and African Union, November 2011, p. xii, http://www.africaminingvision.org/amv_resources/AMV/ISG%20Report_eng.pdf (accessed 15 April 2013).

13 International Study Group Report on Africa's Mineral Regimes, *Minerals and Africa's Development*, Economic Commission for Africa and African Union, November 2011, p. 18, http://www.africaminingvision.org/amv_resources/AMV/ISG%20Report_eng.pdf (accessed 15 April 2013).

economic opportunities.¹⁴ As part of its assistance package, during the 2011 Commonwealth Heads of Government Meeting the Australian Government announced that \$127 million would go towards the 'Mining for Development' initiative. This measure is central to the Government's engagement with mining companies in developing countries, and is administered by AusAID. It is intended to draw on expertise from across government, industry and academia in Australia to help developing countries in Africa, Asia-Pacific and Latin America address mining-related challenges.

8.10 The initiative was to include Africa as an initial priority area, with other regions to follow.¹⁵ The aim of 'Mining for Development' was to ensure:

...resource-rich developing countries use opportunities generated by mining to create much needed education and job opportunities for some of the world's most vulnerable people. Well-governed mining, gas and petroleum sectors can not only help reduce poverty but also reduce a developing country's dependency on aid.¹⁶

8.11 Ms Lisa Rauter, AusAID, described this engagement with mining companies in Africa as a multi-faceted initiative that would provide an understanding of the skill gaps within Africa and the opportunities for local procurement.¹⁷

International Mining for Development Centre

8.12 The International Mining for Development Centre, based in the University of Western Australia's Energy and Mineral Institute, is the centrepiece of the initiative. It commenced operation in October 2011 and works in partnership with the University of Queensland's Sustainable Minerals Institute.¹⁸ According to the Prime Minister:

The first-class expertise on offer at both of these universities will mean this new centre will be a valuable resource for developing countries around the globe.¹⁹

14 See AusAID, *Mining for Development in Africa*, <http://www.ausaid.gov.au/countries/ame/Documents/ausaid-mining-brochure-english.pdf> (accessed 15 April 2013).

15 Prime Minister of Australia, the Hon Julia Gillard MP, 'Launch of Australian Mining Initiative', 25 October 2011, <http://www.pm.gov.au/press-office/launch-australian-mining-initiative> (accessed 6 May 2013).

16 Prime Minister of Australia, the Hon Julia Gillard MP, 'Launch of Australian Mining Initiative', 25 October 2011, <http://www.pm.gov.au/press-office/launch-australian-mining-initiative> (accessed 6 May 2013).

17 Ms Lisa Rauter, *Committee Hansard*, 6 December 2012, p. 3.

18 International Mining for Development Centre, 'IM4DC supports developing nations', <http://im4dc.org/> (accessed 6 May 2013).

19 Prime Minister of Australia, the Hon Julia Gillard MP, 'Launch of Australian Mining Initiative', 25 October 2011, <http://www.pm.gov.au/press-office/launch-australian-mining-initiative> (accessed 6 May 2013).

8.13 AusAID informed the committee that the Centre's role was to develop networks between African senior officials and other people in the private sector and NGOs. It would help to improve the understanding of mining regulation and mining governance by conducting short courses or bringing people to Australia on study tours so they could learn from Australia's state governments about regulatory policies, occupational health and safety and environmental management. Also, they would engage with some of the Western Australian and Queensland mining companies in order to gain a better understanding of the challenges created by, and facing, the mining industry and to find solutions.²⁰ By increasing the skills level of key personnel in government, universities, research institutions and civil society, the centre aims to help African countries to improve:

- policies and practices in the governance and management of extractive industries and their interactions with society and the environment;
- legislative frameworks; and
- knowledge of a country's resources base.²¹

It also hopes to enable countries to continue to build local capacity in minerals governance and mining.²²

8.14 A number of partnerships come under AusAID's Mining for Development banner. According to AusAID:²³

- The Australia Africa Partnerships Facility (AAPF)...provides African governments with the knowledge, skills and systems to better manage their resource wealth.
- The Extractive Industries Technical Advisory Facility (EI-TAF) is a World Bank multi-donor facility that provides short-term, rapid assistance to developing countries to help them understand, negotiate and analyse the complex financial, legal, environmental and related technical aspects of mining agreements, thereby reducing the risk of costly or politically difficult remediation at later stages.
- The Topical Trust Fund on Managing Natural Resource Wealth (MNRW) delivers technical assistance in the areas of macroeconomic policy, revenue collection, statistical management, fiscal regulation and investment strategies for natural resource assets in developing countries rich in oil, gas and minerals.

20 Ms Lisa Rauter, *Committee Hansard*, 6 December 2012, p. 4.

21 International Mining for Development Centre, 'IM4DC supports developing nations', <http://im4dc.org/> (accessed 6 May 2013).

22 International Mining for Development Centre, 'IM4DC supports developing nations', <http://im4dc.org/> (accessed 6 May 2013).

23 AusAID, 'Mining for development' <http://www.aisaid.gov.au/aidissues/mining/Pages/home.aspx> (accessed 6 May 2013).

- Governance Partnership Facility (GPF) is a flagship governance engagement activity for the World Bank supported by four countries. The objective is to improve governance and anti-corruption outcomes in developing countries, through rigorous and systematic country-level approaches.
- Natural Resource Charter (NRC) is a series of economic principles for governments and societies on how to sustainably manage the opportunities created by natural resources.

8.15 Additionally, Mining for Development provides funds for the mining study awards (masters and short courses offered by Australian Universities), and assistance to the African Minerals Development Centre (an African mining research centre).²⁴

8.16 Several submissions mentioned the Mining for Development initiative as a positive way to engage corporate mining interests in important development issues. For example, the West Australian Department of Premier and the Cabinet made the following observation about the initiative and its positive impact in the developing world; particularly the potential opportunities for West Australian interests to be involved:

Australia (AusAID and governmental relations) and Australian resource companies can play a significant role in helping improve these conditions. Western Australia has know-how that could be useful in developing the economies of African mining economy.²⁵

8.17 Mr Jeff Hart, AAMIG²⁶, acknowledged successes in the Government's approach in Africa, particularly when it came to the promotion of development issues, particularly the involvement of AusAID.

What we have seen in the last five years is the development of synergy with the AusAID programs rolling out in Africa, the Mining for Development initiative and the private sector as well. We got the attention of Africa in a number of ways...²⁷

8.18 According to Mr Hart, people from Africa come out to Australia because they 'believe that there is something here for them to learn'. They also come because they know that the programs and activities are relevant and ones in which their people can be involved'. In summary, he stated that the programs are of 'substance' and everyone works together.²⁸

24 Ms Lisa Rauter, AusAID, *Committee Hansard*, 6 December 2012, p. 4.

25 West Australian Department of the Premier and Cabinet, *Submission 35*, p. 9.

26 Australia-Africa Mining Industry Group.

27 Mr Jeff Hart, Australia-Africa Mining Industry Group, *Committee Hansard*, 5 December 2012, p. 24.

28 Mr Jeff Hart, Australia-Africa Mining Industry Group, *Committee Hansard*, 5 December 2012, p. 25.

Extractive Industries Transparency Initiative (EITI)

8.19 Australia is also providing support to the Extractive Industries Transparency Initiative (EITI). The initiative aims for better transparency through companies publishing their payments and governments disclosing their receipts from those companies. By doing so, it seeks to promote better governance in countries rich in oil, gas and minerals and reduce the risk of diversion or misappropriation of funds generated by the development of a country's extractive industry resources. The EITI works through the joint co-operation of governments, private sector companies and civil society groups.

8.20 Of the African countries on the Indian Ocean rim, Tanzania and Mozambique are EITI compliant countries and Madagascar is a candidate country (suspended).²⁹ Although Australia supports the initiative and encourages other countries to join, it is not yet officially registered as a compliant country.

8.21 It should be noted that, although AusAID supports EITI abroad through its aid program, Australia is yet to sign up to implement EITI domestically. It has, however, launched an EITI pilot and agreed to host the biennial EITI Global Conference in May 2013.³⁰ When Australia announced its decision to pilot the EITI, the EITI Chair, Claire Short, stated that Australians were 'now taking further steps to practice what they preach'.³¹

8.22 At the May 2013 Global Conference in Sydney, the Minister for Resources and Energy, the Hon Gary Gray MP, took the opportunity to acknowledge the EITI as 'a frontline initiative greatly assisting emerging economies and opening markets, particularly in Africa.' He noted that Africa was a 'continent of opportunity' and that Australia wanted to assist countries in the journey toward a 'fairer and more efficient distribution of natural resource wealth'.³²

8.23 The minister referred to Australia's EITI pilot program. He noted that a full systems analysis of Australia's transparency framework including existing governance and probity arrangements would need to be undertaken. According to the minister, this approach was a defining feature of the Australian EITI Pilot and proving to be valuable. In his view, the approach was 'highly compatible with the new EITI Standard that includes provision for more contextual information and consideration of domestic conditions'. He informed the conference that he was awaiting the Pilot's

29 EITI, 'EITI Countries', <http://eiti.org/countries> (accessed 6 May 2013).

30 EITI, 'Australia to pilot the EITI', 27 October 2011, <http://eiti.org/news-events/australia-pilot-eiti> (accessed 1 May 2013).

31 EITI, 'Australia to pilot the EITI', 27 October 2011, <http://eiti.org/news-events/australia-pilot-eiti> and EITI conference 2013 in Sydney, <http://eiti.org/news-events/australia-host-eiti-conference-2013> (accessed 1 May 2013).

32 Minister for Resources and Energy, the Hon Gary Gray MP, Address to the 6th Global Conference of the Extractive Industries Transparency Initiative, Sydney, 23 May 2013, <http://minister.ret.gov.au/MediaCentre/Speeches/Pages/6th-Global-Conference-EITI.aspx> (accessed 28 May 2013).

results and a multi-stake holder group report to government early in 2014 when the debate could 'be more meaningfully addressed'.³³

8.24 The committee recognises the need for transparency in the exploitation of Africa's extractive industries and of the importance of Australia strengthening its advocacy for countries to become EITI compliant and leading by example.

Africa down under

8.25 Austrade has organised an 'Africa Down Under' conference annually for the past ten years. It is held in Perth and is now the largest mining conference in Australia and the second-largest mining conference focused on Africa in the world, after the Mining Indaba in Cape Town.³⁴

8.26 Although Africa Down Under is primarily a trade-based conference, AusAID takes the opportunity to meet mining companies while they are in Perth. According to Ms Rauter, by engaging with mining companies through forums such as this conference or the Mining Indaba conference, AusAID can start a conversation about 'some of their corporate social responsibility initiatives'. AusAID can also help link companies with local NGOs or Australian NGOs operating in Africa 'in the hope that they can work towards the priorities and needs of particular communities'.³⁵ Officers from AusAID converse with delegates in order to understand some of the regulatory barriers that they face. The agency is then better placed to work with African governments to improve regulatory environments to achieve consistency in the way that businesses are able to operate in Africa. The talks also cover matters such as improved occupational health and safety standards, environmental management and concerns that affect community development—making sure that some of the revenue is being reinvested in development.³⁶

Collaboration

8.27 Some of the challenges Australia faces in regards to resource discovery and utilisation are shared by Indian Ocean rim countries. Therefore, the commonalities also provide opportunities for collaboration between CSIRO and Indian Ocean rim organisations to develop new approaches and technology for the future use of minerals.³⁷

33 Minister for Resources and Energy, the Hon Gary Gray MP, Address to the 6th Global Conference of the Extractive Industries Transparency Initiative, Sydney, 23 May 2013, <http://minister.ret.gov.au/MediaCentre/Speeches/Pages/6th-Global-Conference-EITI.aspx> (accessed 28 May 2013).

34 Ms Sonia Grincer, Department of State Development WA, *Committee Hansard*, 2 October 2012, p. 25 and Mr Jeff Hart, Australia-Africa Mining Industry Group, *Committee Hansard*, 5 December 2012, p. 21.

35 *Committee Hansard*, 6 December 2012, p. 3.

36 Ms Rauter, AusAID, *Committee Hansard*, 6 December 2012, p. 3.

37 CSIRO, *Submission 11*, p. 7.

8.28 Over many years, the CSIRO has developed considerable expertise and experience in research associated with the entire minerals value chain, from exploration to metal production and manufacturing. The research targets 'safe, efficient, clean mining, mineral processing and metal production operations which are all global requirements'.³⁸

8.29 As an example of this collaboration, CSIRO receives funding from the Australia-India Strategic Research Fund, which is run by the Department of Industry, Innovation, Science, Research and Tertiary Education, and is focused specifically on India. It has carried out a number of collaborative projects with Indian partners with money from the fund. This work 'can often be taken to other markets as well, including other areas around the Indian Ocean Rim'.³⁹ Ms Liz Yuncken, CSIRO, mentioned one project on mining that CSIRO was doing with one of the CSIR India institutes, 'looking at how mines are constructed to make them safer for the people who are working in the mines and to make them more efficient'.⁴⁰

Clean energy

8.30 The Northern Territory Government drew attention to the opportunities for increased NT clean energy exports—liquid natural gas and uranium—the Indian Ocean rim. The government noted further that there were also opportunities for increased collaboration between the NT and the Indian Ocean rim in green energy and technology research and development and commercialisation.⁴¹ CSIRO is also undertaking research in securing an energy future. It noted that:

In many Indian Ocean Rim countries, population growth and urbanisation are increasing pressures on electricity supply, as well as increasing the greenhouse gas emissions from energy sources as more energy is used by upwardly-mobile populations. Conversely, many population groups in these countries have limited or unreliable access to energy, which limits their ability to improve their living conditions.⁴²

8.31 In this regard, CSIRO is conducting work to develop efficient and low emission coal technologies for energy generation that could be exported to coal-producing Indian Ocean rim countries such as India, Indonesia and South Africa. In its view, the research has the potential 'to reduce global greenhouse emissions and increase energy production efficiency'. CSIRO is in the process of negotiating a collaboration agreement with the Central Mine Planning & Design Institute (CMPDI) Limited in India (a subsidiary of Coal India).⁴³

38 CSIRO, *Submission 11*, p. 7.

39 Mrs Bell, CSIRO, *Committee Hansard*, 5 December 2012, p. 16.

40 *Committee Hansard*, 5 December 2012, p. 16.

41 *Submission 28*, p. 1.

42 *Submission 11*, p. 6.

43 *Submission 11*, p. 6.

8.32 CSIRO is also developing new technologies for oil and gas exploration and production and collaboration with Indian Ocean rim partners is underway, such as Petronas in Malaysia. It is collaborating with the Energy Resources Institute of India (TERI) 'to assist with the low-emissions electrification of rural areas in India through the exploration of mini-grids as a way to allow greater penetration of renewable energy in electricity networks while remaining completely portable across all generation methods, now and into the future'.⁴⁴

8.33 Finally, CSIRO is working in rural India to improve food quality and storage life by developing solar cooling facilities that provide refrigeration in areas with no electricity supply. According to CSIRO, this \$1 million AusAID-funded project is intended 'to assist India to minimise the 30 per cent of agricultural production that currently goes to waste due to lack of refrigeration'. As well as solar cooling technology, CSIRO is investigating using waste heat from biomass gasification/gas engine technology that is being developed in rural Indian regions. CSIRO noted that both projects have application in rural and remote areas of Australia, and would reap benefits for Australia as well.⁴⁵

Conclusion

8.34 Australia has extensive experience and expertise in all aspects of mining and is allowing that knowledge to be used by countries in the Indian Ocean rim to their advantage. The success of the 'Africa Down Under' conference is testament to the high regard in which Australia's mining industry is held.

8.35 AusAID is leveraging off this body of knowledge to better target the assistance it provides to developing countries so that their mining industries can help to alleviate poverty, create employment and overall contribute to their development goals. The committee also acknowledges the work of the CSIRO especially in the promotion of the use of clean energy. It draws attention especially to the projects in rural India involving the development of low-emissions electrification through the exploration of mini-grids and of solar cooling facilities.

8.36 The practical application of the results of such research across the region showcases the quality of research undertaken in the region and the benefits of collaboration. The committee recommends that the Australian Government should give much greater prominence to such research and should ensure that funding for this type of research continues and opportunities for broader application in the region are expanded.

8.37 The committee recognises that currently Australia is undertaking an *Extractive Industries Transparency Initiative* (EITI) pilot program.

44 *Submission 11*, pp. 6–7.

45 *Submission 11*, pp. 6–7.